

Minutes of the Regular Work Session of the
Board of Mayor and Aldermen, City of Kingsport, Tennessee
Monday, April 19, 2010, 4:30 PM
Council Room – City Hall

PRESENT:

Board of Mayor and Aldermen

Mayor Dennis R. Phillips

Alderman Valerie Joh

Vice-Mayor Benjamin K. Mallicote

Alderman Charles K. Marsh, Jr.

Alderman Larry A. Munsey

Alderman Tom C. Parham

Alderman Jantry Shupe

City Administration

John G. Campbell, City Manager

J. Michael Billingsley, City Attorney

James H. Demming, City Recorder

1. **CALL TO ORDER:** 4:40 p.m., by Mayor Phillips.
2. **ROLL CALL:** By Deputy City Recorder Gilbert.
3. **WORK SESSION TICKLER.** Public Works Director Ryan McReynolds referred to a Memorandum from Traffic Engineering Manager Tim Elsea that he had handed out regarding the removal of the traffic signal at Clinchfield Street and Cherokee Village Drive.

Mr. McReynolds provided an update on the current milling and paving projects, stating that Center Street in the Highlands area should be finished this week.

Assistant Public Works Director Michael Thompson responded to concerns regarding possible water puddling in the middle of the new Eastman Road paving, stating that the road surface has been done to TDOT (Tennessee Department of Transportation) specifications. Mr. Thompson also mentioned that the Pavilion Drive signal has finally been approved and work will start around Memorial Day.

Mayor Phillips explained, with Mr. McReynolds assistance, why traffic calming will not be installed in the Preston Forest neighborhood, due to residents' responses.

In response to an inquiry from Alderman Joh about paving near the Ridgefields Bridge, Mr. McReynolds indicating the City is awaiting a funding opportunity for paving the parking and, in meantime, Streets and Sanitation is depositing, as it is able, good fill soil on the site to allow grass to grow.

Mayor Phillips also called attention to citizen calls on two different streets—Bays Cove and Shipley Ferry, both of which are in sore need of attention. Mr. McReynolds acknowledged awareness of both routes' poor condition and added that Public Works is waiting for next year's budget figures to address.

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4. DISCUSSION OF PUBLIC SAFETY BRIDGE. City Manager Campbell provided a hand out and went over a presentation on the TCRS (Tennessee Consolidated Retirement System) Public Safety Bridge Benefit. He explained there is currently no mandatory retirement age, but one would be adopted in conjunction with this benefit offered for public safety employees only. A mandatory retirement age of 55 would require 7 years of bridge benefits, payable until the onset of Social Security (currently at 62 years of age). The benefit provides an extra 0.75% of final average compensation multiplied by the number of years of TCRS service.

Mr. Campbell stated that current retirement benefits top out around 48% of salary, but under this benefit, would increase 21.5% and equal around 70% of salary. He added that, up until around 1979, the City was allowed for a Group 2 in public safety which, if employees paid 5% extra, received a higher retirement figure. The City's adoption of this bridge benefit would increase its contribution rate for public safety employees by at least 3.5%. Any fluctuation in this rate would be reflected in the regular employer rate of contribution which, in FY2010 was 16.58% and in FY2011 will be 16.84%; therefore, with the additional 3.5% in FY2011 would increase the rate to 20.34%

The City Manager referred to the Stanton Group actuarial report done in 2008 which showed the potential increase in the employer contribution rate with this bridge. Current statistics showed average age of police retirees was 53 years and average age of fire retirees was 54 years. The average age of all other retirees is around 61 years.

A chart of *Savings v. Expense* showed the FY2011 Cost for the Bridge to be \$319,000 with a potential savings in salaries (due to earlier retirement and lower entry replacement salaries) of \$225,100, leaving a first year deficit gap of \$93,900 if implemented on July 1, 2010. Also to be considered was the retiree medical insurance impact if the bridge is implemented and FY2011 projected premium costs for retiree medical insurance will be \$14,000 annually per retirees, which will increase City costs by \$84,000 (these amounts are based on an additional six employees eligible under the bridge benefit). Additional costs of paying out vacation/comp time are estimated at \$70,642.

Extensive Board discussion questioned the potential increased savings in hiring at lower salary rates which, in police employment, is around \$23,000; how many employees would be eligible (around 200-220 in both fire and police); and what other Tennessee cities are doing and how they are paying for it, if they elect the bridge option (14 other cities have taken this action and are paying in various ways).

At this point, City Manager Campbell went to the last slide of his presentation which covered the *Funding Option*. If the BMA wants to pursue this, it needs to be kept "budget neutral" and he illustrated several ways to do so: In FY2011, the City could hold 2% of the Public Safety step increase which would generate \$184,800. In FY2012, holding an additional 0.5% of the Public Safety step increase would provide around \$46,200, with the same measure as FY2012 being taken in FY2013 and FY2014, each providing an additional \$46,200 annually. It was confirmed that no employee would be making less.

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Alderman Marsh expressed concern that the 3.5% is very unpredictable and likely to increase. He sees this action, if taken, creating a liability for the City of around \$600,000 for the first year and only slightly less for following years and stated that, if these numbers are correct, this is an expensive proposition. He also questioned, if the bridge is approved and found to be prohibitively expensive, whether the City can get out. Mr. Campbell responded that the City could not opt out which is why the City is looking at defined benefits and defined contribution which brings predictability to the new hires and is one way to compensate for taking this chance here with this particular benefit. He further explained that the City has an obligation to pay for any benefit currently promised to present employees.

In response to a question from Alderman Munsey about whether the City can choose to do the bridge and still withdraw from TCRS as its primary retirement benefit provider, Mr. Campbell explained that, if the bridge is approved before moving to another defined contribution situation by fiscal year end, the only rule in place is that any TCRS benefit put in place by the BMA must be honored after July 1, 2010, even if the BMA approves withdrawal from TCRS by the June 30th deadline for all employees in that group.

Mayor Phillips stated that the TCRS withdrawal situation also needs to be addressed and he had hoped to address that subject tonight but did not feel the BMA could do that topic justice but referred to the difficulty of coming to a decision on one without making a decision on the other.

Mr. Campbell suggested that, from a long-term fiduciary outlook, he would be more comfortable going with the bridge if the City is moving ahead with a more "cost predictable" defined contribution situation. Board members discussed whether the Audit Committee required an additional meeting to bring back a recommendation to the BMA and whether that recommendation should be inclusive of both decisions because they appear to be entwined. Dialogue that followed involved whether to make a decision, immediately, on the bridge option and leave the TCRS decision until later BMA meetings; whether all agreed the City should employ a contributory system, even if staying with TCRS, with newly hired staff contributing 5%; and whether the FY2011 budget needed to be reviewed prior to making this decision or whether the retirement decision needed to be made for budget preparation purposes.

At this time, Mayor Phillips invited those in the audience to speak.

Kingsport police officer, Dale Farmer, mentioned that police employees would be more willing to give up a \$600 supplemental payment each receives from the State for certification rather than the pay raise because of the subsequent loss of Social Security and retirement benefits which are based on final wage levels.

Mayor Phillips summarized this offer of \$600 per certified employees would result in an annual amount of approximately \$60,000, still leaving a cost gap of around \$120,000.

Kingsport firefighter, Darryl Hayes, pointed out that taking away employees step pay would, in fact, cause employees to lose money and contributing the yearly supplemental

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pay would be a much simpler approach and corrected the Mayor's estimation above because both departments, fire and police, would each contribute around \$60,000, making that number comes out to \$120,000, with approximately \$60,000 short.

City Manager Campbell pointed out that he is unsure of the legality of using State mandated supplemental pay for this purpose, whether the State will continue to mandate this or any other amount, and even if fire and police were willing to give up that \$600 payment in perpetuity to cover this benefit's cost, there would still be a shortage, which gap would increase every year.

Mr. Hayes further talked about salary slippage and savings that occur from less medical and Workers Compensation claims by retiring older employees and replacing with younger ones in forthcoming years, should create enough cost offset, without having to give up the supplemental pay amount every year.

Kingsport firefighter, Kevin Mitchell, pointed out that several cities, close in size to Kingsport such as Jackson, Clarksville and Martin have enacted the bridge at no cost to public safety departments. He added that only Brentwood has enacted a cost to its employees. Mr. Mitchell cited reasons why the City should stay with TCRS and the benefit to Kingsport's employees.

Board members deliberated over the current difficult economic status of the City, event without consideration of this added benefit expense and how to vote to add an additional \$250,000 to a budget that is not yet balanced for FY2011.

Kingsport police lieutenant, Ed Swayze, stated he has been with the City for 28 years and makes \$60,000 and is will to give up the 2% pay step increase to receive the higher rate at retirement.

Kingsport firefighter, Matt Sorge, expressed concern about the permanent 2% cut to public safety salaries because of the compounded effect. He suggested Board members explore how the other cities that have adopted this bridge have funded it and see if there is a viable option, acceptable to this Board. City Manager Campbell agreed that staff could look into what other cities have done and Mayor Phillips asked Mr. Campbell to meet with public safety representatives to provide a guaranteed "budget neutral" option in order to pass approval by this Board.

The Board discussed whether to schedule a called meeting to accept a recommendation from the Audit Committee, who would also have to hold a called meeting to do so. The Mayor suggested the Audit Committee meet within the next two weeks and the BMA call a special work session with only retirement and the bridge benefit on the agenda to address.

It was undecided whether the called meeting should occur prior to or after the first budget meeting on May 11th and Vice-Mayor Mallicote opined that the BMA should provide City staff with a decision prior to budget meetings so staff is not required to build two different budget scenarios.

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[Alderman Munsey left the meeting around 6:43 p.m., just prior to discussion of the following regular business agenda items.]

5. REVIEW OF AGENDA ITEMS ON APRIL 20, 2009 REGULAR BUSINESS AGENDA. City Manager Campbell, members of staff and community members provided a summary or presentation for each item on the proposed agenda. Those items the Board discussed at greater length or which received specific questions or concerns included:

In response to Mayor Phillips' request that, rather than go through each agenda item, Board members point out specific items they would like discussed and addressed, Alderman Marsh commented that he wanted the minutes from last meeting's discussion on The Press Group and KEDB (Kingsport Economic Development Board) loan to reflect that he was assured by the City Manager that this arrangement is not setting a precedent with development of the remainder of the Quebecor regarding to allowing TIF (tax increment financing). City Manager Campbell stated that the developers involved have emphasized they would not bring anything else on the property but added that the original incentive was needed to stimulate the initial development.

VI.D.7 Consideration of a Resolution Authorizing the Mayor to Execute a Lease Agreement with the Kingsport Farmers Market for Use of a Portion of Property on the Quebecor/Kingsport Press Property in Downtown Kingsport (AF: 99-2010). In response to a question raised by Alderman Marsh regarding retailers bringing in produce from out of the area, Farmers Market President Jim LaFollette explained that is being allowed only until May 15th when local produce should then be available and was allowed only to bring customers in early and generate good crowds.

Mr. Tim Sanders of Sanders Produce Market located at 1209 Bloomingdale Pike in Kingsport stated he also buys and sells local produce. Mr. Sanders currently operates a six-day a week market and had heard that the Press facility might be opening up to a six-day a week market so he turned in an agreement to lease the property on Monday, Tuesday, Thursday, Friday and Sunday. When he turned in the lease agreement, he didn't receive any input or feedback about any available days. He would like to offer product at the Press site on days the Farmers Market is not there and will provide local produce, when available, or other desired produce from outside the area. He explained that certain produce such as watermelon is not available locally for Fourth of July celebrations, and would require obtaining from outside areas growing melons at that time.

Mayor Phillips responded that the Farmers Market has been around a long time and believes that Mr. Sanders can sit down with representatives of the Farmers Market and find a way to co-exist, but that decision does not involve the BMA.

Mr. LaFollette explained that the Farmers Market is member and board driven and must abide by rules set long ago. He added that when the Farmers Market adds the building portion to the site, it will have room for a six-day a week market and will be able to co-exist

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with other entities such as Mr. Sanders'. Mr. Sanders said he is willing to work with the Farmers Market association but does not want his business under its control. He currently has a City business license, is FDA approved and wants an equal opportunity to sell products at the Farmers Market.

Vice Mayor Mallicote sees this as a great solution and expressed his preference that the City only has one lease for the Farmers Market space and the City puts a lot of value in their brand and wants it to continue as such.

Ms. Gina Hensley, who later identified herself as an owner in *Simply Fresh Produce Co.* on Netherland Inn Road, mentioned an issue that occurred when her employees were not allowed to set up at the Farmers Market site yet another fellow was allowed to do so. Mr. LaFollette explained that the fellow allowed was a previous member of the Farmers Market.

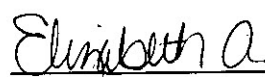
Mayor Phillips invited Ms. Hensley to describe her business, previously known as *Cherokee Fruit & Ice*, and she stated her business wholesales fresh produce to restaurants and the Kingsport City Schools, as well as selling retail outside the business.

Mr. LaFollette thanked the BMA for all it has done to promote the Farmers Market and for providing such an ideal location.

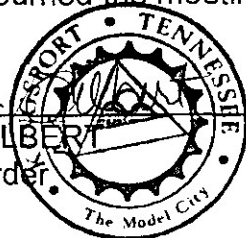
PUBLIC COMMENT. None.

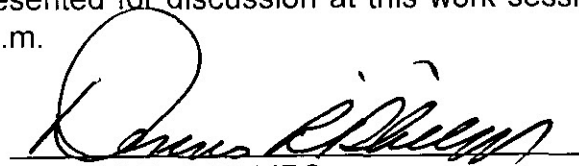
BOARD COMMENT. Alderman Joh thanked everyone for their support during this time following the loss of her husband, Gale.

6. ADJOURN. Seeing no other matters presented for discussion at this work session, Mayor Phillips adjourned the meeting at 6:54 p.m.



ELIZABETH A. GILBERT
Deputy City Recorder





DENNIS R. PHILLIPS
Mayor